Will You Miss Out on This $4 Trillion Investing Megatrend?

Description

There's an investing strategy many investors think trumps all others.

It involves identifying a trend before the market really catches on to it. That's the easy part. The hard part is figuring out not only which companies will benefit, but also a time period. Sitting on such a stock for years without it doing anything is a big opportunity cost.

I believe such an opportunity is presenting itself in the travel industry today.

This trend is obvious among millennials. These folks are increasingly eschewing more traditional forms of wealth in exchange for experiences. Millennials are more impressed by stories about exotic vacations than they are about down payments. Besides, many have zero expectations of being able to afford a house anytime soon.

The numbers back this up too, and not just in North America. According to the World Travel and Tourism Council, global spending on tourism approached US$8 trillion in 2015. In just a decade, the same organization projects travel spending to hit nearly US$12 trillion, an increase of approximately US$400 billion per year.

To put that number into perspective, that's like adding the entire GDP of Norway to the travel industry. Every year.

The best part about this trend? I'm not sure there are many investors who truly understand the scope of it. Most money managers and serious investors are in their 40s, 50s, or 60s–ages that discount this new reality as a fad.

Many don't understand the worldwide implications either. In North America, we've had the disposable income to travel for decades now. But in places like China, India, Indonesia, and other rapidly developing countries, there are hundreds of millions of people who can finally afford to join the rest of us in experiencing the world.

Here are three potential ways for Canadian investors to invest in this opportunity.

Bombardier

Yes, **Bombardier, Inc.** (TSX:BBD.B) has had its own share of problems. The balance sheet is a mess. The CSeries line of regional jets has been a disaster, although it does look like most of those problems are now behind it. Orders thus far in 2016 have been brisk after nobody gave Bombardier a firm order in 2015.

Bearish investors point out that new offerings from **Boeing** and Airbus are pretty similar to the CSeries. These investors have a point, but the good news is the airline business is poised to grow so much over the medium to long term that there will be plenty of demand for all three competitors.

Investors shouldn't really have to worry about Bombardier's balance sheet issues, either. The cash burn has improved significantly, and an injection of fresh cash from the Quebec government is a big help. Additional capital from Ottawa probably isn't needed, but it would be a nice bonus.

WestJet

There are a few reasons why I continue to like **WestJet Airlines Ltd.** (TSX:WJA) over **Air Canada.**

The first is WestJet's cost structure. By avoiding unions and largely sticking to one type of plane, WestJet has kept its cost per mile flown at approximately 25% less than Air Canada's. WestJet is also doing a great job growing high-margin revenue from things that aren't airline tickets.

Finally, WestJet's balance sheet is in great shape. It has $1.4 billion in cash with only $80 million in net debt. This allows it the financial flexibility needed to expand its network further into Europe and eventually into Asia.

Innvest

Although AirBnB is posing a threat to the hotel industry, there should still be plenty of demand for both to operate alongside each other.

Innvest REIT Trust Units (TSX:INN.UN) is one of Canada's largest owners of hotels, holding 109 properties with a combined 14,500 rooms. It also holds a 50% interest in Choice Hotels, one of the largest franchisors of hotels in Canada. The thing I like about Innvest's portfolio is that it's stuffed with nice hotels located in downtown cores.

Like most hotels companies, Innvest does have quite a bit of debt, owing more than $800 million in total debt compared to $1.3 billion in assets. But occupancy has been fairly steady at nearly 65%, and the company earned $0.489 per share in adjusted funds from operations in 2015, which easily covers the stock's 7.3% yield.

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1. Editor's Choice

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